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SUBJECT: YEAR-END LABOR STRIFE SEEN LESS LIKELY IN VIETNAM

SENSITIVE - DO NOT POST ON INTERNET

REF: A) HANOI 3019 B) HCMC 1368

11. (SBU) Summary: One year after a wave of labor unrest hit lower-paying foreign-owned factories in Vietnam, workers, businesses and government officials say that similar labor strife is less likely now. Labor experts state that tensions are lower because of last year's government-mandated wage increases, a better understanding of the labor law and enhanced efforts by the Government of Vietnam (GVN) to educate workers and address labor concerns ahead of the New Year (Tet) holiday when workers need cash and often strike. These intensified efforts are part of a general movement within the GVN to focus more intently upon industrial relations in the understanding that labor tensions are harming the country's image. Foremost among these efforts is a new National Labor Relations Board at the Ministry of Labor, Invalids and Social Affairs (MOLISA), which will serve as the government focal point for industrial relations and labor disputes. The International Labor Organization applauded the move. End Summary.

12. (SBU) One year after a wave of labor unrest hit lower-paying foreign-owned firms in Vietnam, workers, businesses and government officials say labor relations have improved significantly in recent months. While they note there is always the potential that cash-strapped workers will strike in the run-up to the lunar New Year, or Tet, holiday in February, they say increased domestic media attention to labor issues and a range of government, non-government and private sector efforts in the wake of strikes have served to reduce labor tensions, particularly at the most strike-sensitive Taiwanese and Korean companies where the majority of strikes occurred. "The situation is nothing like it was last year," said Le Thi Nu, a seamstress for Senso Company, a Japanese-owned kimono maker in Binh Duong province. "I think a lot of companies have learned their lessons from last year."

13. (SBU) The strikes drew international attention to Vietnam's labor tensions in early 2006, leading some to speculate about Vietnam's stability as a manufacturing base for its growing apparel and footwear industries, accounting for more than 23 percent of Vietnam's exports in 2006. While many firms attributed the strikes to a combination of confusion and heightened expectations amid a long-rumored wage increase (the Prime Minister decreed a 40-percent minimum wage hike at foreign-owned firms in January), labor experts also argued that increasing wage pressures, a lack of capacity at the Communist Party-linked national labor union and labor laws designed for a non-market economy also contributed.

14. (SBU) Included in the government efforts are a newly revamped strikes law (reftel) and pre-Tet campaign by MOLISA to address any incipient labor conflict. As part of this campaign, MOLISA officials visited Ho Chi Minh City in November to gauge the level of worker discontent and encourage firms and labor organizations to address worker concerns proactively, said Nguyen Manh Cuong, the director of a new National Labor Relations Board to handle industrial relations at MOLISA. MOLISA is encouraging firms to reach out to workers and pay early on their traditional 13th month bonuses for Tet, which takes place in February. Other organizations involved in the preventive measures include the Vietnam General Confederation of Labor (VGCL), the Vietnam Chamber of Commerce and Industry (VCCI) and local Departments of Labor, Invalids and Social Affairs (DOLISAs). Phung Quang Huy, General Director of the Employer Activities Bureau at VCCI, said he spent the greater part of November in southern Vietnam meeting with enterprises and officials, and holding a conference for hundreds of company representatives from the heavily industrialized Bin Duong and Dong Nai provinces. "Workers already have much better knowledge," he said.

15. (SBU) The International Labor Organization (ILO), which runs a program to improve industrial relations in Vietnam, is also working to prevent worker unrest by holding a series of trainings at the most strike-sensitive companies in the week of December 25-29. These companies include a range of Taiwanese and Korean garment and footwear manufacturers in and around Ho Chi Minh City and Binh Duong and Dong Nai provinces. The potential for strikes "is hard to predict, but it is not going to be anything like last year," said Jan Sunoo, Chief Technical Advisor of the ILO Industrial Relations Project.

NEW GVN INDUSTRIAL RELATIONS FOCUS

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16. (SBU) The intensified efforts are part of a general effort within the Government of Vietnam (GVN) to focus more intently upon labor relations, with the understanding that continued labor strife could harm the country's image and undercut economic growth. Foremost among these efforts is the creation at MOLISA of a new National Labor Relations Board, which will serve as a focal point for all GVN industrial relations and labor disputes. The ILO's Sunoo has called the creation of the department "from all perspectives a good move" and "very much an acknowledgement by (the GVN) that it has to take industrial relations more seriously."

17. (SBU) The director of the unit will be Nguyen Manh Cuong, Deputy Director of the International Cooperation Department (quoted above), who has a reputation as the ministry's most progressive and strategic thinker, although reportedly some hardliners distrust his U.S. education. Cuong is a Fulbright Scholar who received a master's degree at Princeton's Woodrow Wilson School, where he focused on labor relations.

18. (SBU) Cuong told Econoff that the board will be in charge of spearheading GVN policy on industrial relations, focus on improving the quantity and quality of collective bargaining agreements at foreign and domestic firms and act as the government's point of contact in labor disputes. The unit will begin by drafting new collective bargaining agreements at 20 willing firms, an initiative seen as crucial because collective bargaining agreements in Vietnam are usually not negotiated with workers and often only repeat the labor law's vague language on conditions and wages.

COMMENT

19. (SBU) The 2006-2007 New Year strikes season will provide a key test of the GVN's efforts to deal more systematically with labor relations. So far this fall, only one strike has been reported in southern Vietnam, the cause of which was not labor conditions, but a company's decision to relocate its production factory outside of HCMC. We are encouraged by the steps we have seen taken, though more efforts need to be made. We must necessarily take a

wait-and-see attitude toward the National Labor Relations Board. It is discouraging, meanwhile, that one HCMC government official was demoted recently (ref B) at the urging of HCMC trade union representatives because she spoke candidly about weaknesses in Vietnam's labor system during an American Chamber of Commerce-sponsored seminar (Note: We understand the official will likely leave DOLISA to work at a new organization in the near future. End note.)

¶10. (SBU) Thus, even though labor tensions appear to have waned for the moment, Vietnam is facing a moment of labor transition. Decisions made during this time will impact the labor market for years to come. As noted in reftel A, the GVN is currently writing implementing decrees for its strike law and the USG has the chance to weigh in on these. For this reason, post recommends holding a U.S.-Vietnam Labor Dialogue meeting in the first half of 2006, perhaps focusing on the theme of collective bargaining agreements to assist the GVN and to support the freedom of association in Vietnam.

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